

SUMMARY ANALYSIS OF AMENDED BILL

Author: Wolk Analyst: Kristina E. North Bill Number: AB 680
 Related Bills: See Prior Analysis Telephone: 845-6978 Amended Date: June 26, 2007
 Attorney: Douglas Powers Sponsor: _____

SUBJECT: Rice Straw Credit/Extend Repeal Date To January 1, 2013 & Increase Aggregate Amount Of Credits To \$1 Million

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 21, 2007,
☒ STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would extend the Rice Straw Credit for an additional five years and increase the annual aggregate credit limit to \$1,000,000.

SUMMARY OF AMENDMENTS

The June 27, 2007, amendments would increase the annual aggregate credit limit from \$400,000 to \$1,000,000, and make a nonsubstantive, technical change. As a result of the amendments, the "Revenue Estimate" has been revised and appears below. The remainder of the department's analysis of the bill as introduced February 21, 2007, still applies.

POSITION

Pending.

Board Position:

_____ S _____ NA _____ NP
 _____ SA _____ O _____ NAR
 _____ N _____ OUA ☒ PENDING

Legislative Director

Date

Brian Putler

7/5/07

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, the PIT and Corporation Tax revenue loss from this bill would be as follows:

Estimated Revenue Impact of AB 680 Effective On Or After January 1, 2007 Enactment Assumed After June 30, 2007			
Rice Straw	2006/07	2007/08	2008/09
Credit	<-\$500,000	<-\$500,000	<-\$500,000

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

The rice straw credit has been claimed since 1997. Between 2003 and 2005, credits applied to reduce tax liabilities averaged \$220,000, or about 60% of the credit awarded (\$220,000 ÷ \$400,000).

Information from the Department of Food and Agriculture (DFA) indicate that the full \$400,000 is issued annually and that there is a waiting list of available credit applicants. Apparently, the taxpayers claiming this credit do not have sufficient tax liability to offset the full amount of rice straw credit granted to them.

The contact with DFA indicates that twice the current amount (or \$800,000) could be allocated in the first year. It is assumed that it would take about three years for the full \$1,000,000 to be allocated -- that is \$800,000 in the first year, \$900,000 in the second year, and the full \$1,000,000 in the third year.

Applying a usage rate of 60% to the expected aggregate amount of tax credits granted of \$800,000, results in a loss of \$480,000 (\$800,000 x 60%). The difference between current law and proposed law is less than \$500,000 (\$480,000 - \$230,000). In the third year, when the full \$1,000,000 of credit is allocated, the revenue loss would still be less than \$500,000. (\$1,000,000 x 60% = \$600,000. \$600,000 - \$220,000 = \$380,000.)

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